



Informational Guideline Release

Bureau of Accounts
Informational Guideline Release (IGR) No. 03-102
August 2003

(Supersedes in part IGR 91-102)

ABOLITION OF EMERGENCY FINANCE BOARD
AND
IMPACT ON MUNICIPAL BORROWINGS AND APPROPRIATIONS

Chapter 46 §§6, 11, 14, 15, 17, 21-32, 37, 74-80 and 139 of the Acts 2003

(Repealing G.L. Ch. 10 §47; Ch. 71 §16H and Ch. 49 of the Acts of 1933;
Amending Ch. 30B §12; Ch. 40 §5B; Ch. 40 §44F; Ch. 40N §18; Ch. 41 §99E;
Ch. 44 §7(3A) & (9); Ch. 44 §8(4A), (8), (8A), (15), (18), (19), (20) and (23); Ch. 44 §10;
Ch. 44A §1; Ch. 70B §6; Ch. 71 §14B; Ch. 71 §16(d) & (n); Ch. 71 §16G^{1/2};
Adding G.L. Ch. 71 §16(o))

This Informational Guideline Release informs local officials about the abolition of the Emergency Finance Board, which provided state oversight of some local borrowings and appropriations, and the procedures that now apply to those actions.

Topical Index Key:

Borrowing
Special Funds

Distribution:

Accountants/ Auditors
Municipal/Regional School Treasurers
Mayors/Selectmen
City/Town Managers, Exec. Secys.
Finance Directors
City Solicitors/Town Counsels

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Adding G.L. Ch. 71 §16(o))**

SUMMARY:

These guidelines explain recent legislation that abolishes the Emergency Finance Board (EFB), which provided state oversight of certain city, town or district borrowings, appropriations and other actions. **The abolition is effective as of July 31, 2003.**

The types of actions that previously required EFB approval will now require either: (1) no approval beyond the local votes the action requires, (2) approval of certain municipal officials, or (3) approval of certain state officials.

These guidelines explain the new procedures and supersede Section A-1 and 2 of Bureau of Accounts Informational Guideline Release No. 91-102, *Municipal Borrowing* (February 2001). All other provisions of IGR 91-102 remain in effect.

GUIDELINES:

A. Actions Requiring No Other Approval

The following actions that previously required EFB approval no longer require any additional approval process.

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| 1. Contract for trash disposal, sewer treatment or disposal with certain terms regarding future year appropriations | G.L. Ch. 30B §12 |
| 2. Incur debt by a regional refuse disposal district | G.L. Ch. 40 §44F |

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| 3. | Issue bonds by a water and sewer commission | G.L. Ch. 40N §18 |
| 4. | Incur debt by a regional police district | G.L. Ch. 41 §99E |
| 5. | Incur debt to remodel or repair public building | G.L. Ch. 44 §3A |
| 6. | Incur debt for regional incinerators | G.L. Ch. 44 §8(18) |
| 7. | Lend to industrial development authorities | G.L. Ch. 44 §8(19) |
| 8. | Finance through Farmers Home Administration | G.L. Ch. 44 §8(20) |
| 9. | Incur debt to construct schools by regional school district | G.L. Ch. 71 §16(d), (n) |
| 10. | Refinance debt by regional school district | G.L. Ch. 71 §16(o) |

B. Actions Requiring Approval of Municipal Officials

The following actions that previously required EFB approval now require approval of certain municipal officials. No state approval is required, however.

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| 1. | <u>Incur debt for departmental equipment for over 5 years</u>
Selectmen, mayor or city manager must approve a longer term. Approval must be based on a determination of the maximum useful life of the equipment. Term cannot exceed 15 years. | G.L. Ch. 44 §7(9) |
| 2. | <u>Incur debt for sewer system construction or payment to tie into neighboring municipality's system</u>
City or town must have a sewer enterprise or special revenue fund. Accounting officer must also certify to treasurer that sewer rates are set at a level sufficient to cover operating expenses and debt service. | G.L. Ch. 44 §8(15) |
| 3. | <u>Incur debt for construction of schools greater than School Building Assistance grant</u>
Selectmen, mayor or city manager must approve borrowing for a higher amount. | G.L. Ch. 70B §6 |

C. Actions Requiring Approval of State Officials

The following actions that previously required EFB approval now require approval of other state officials.

1. Director of Accounts

The following actions that previously required EFB approval now require approval of the Director of Accounts.

1. Appropriate amount greater than 10% of prior year's tax levy to city, town or district stabilization fund G.L. Ch. 40 §5B
2. Appropriate to regional school district stabilization fund G.L. Ch. 71 §16G½

2. State Oversight Board

The following actions that previously required EFB approval now require approval of a new state oversight board composed of the Attorney General, State Treasurer, State Auditor and the Director of Accounts, or their designees.

1. Incur debt to establish or enlarge a gas or electric plant G.L. Ch. 44 §8(8)
2. Incur debt to remodel or repair a gas or electric plant or telecommunications system G.L. Ch. 44 §8(8A)
3. Exceed statutory debt limit G.L. Ch. 44 §10
4. Designate Qualified Bonds G.L. Ch. 44A

Cities, towns and regional school districts with actions requiring approval of the new board should contact Mary Ann Growitz at 617-727-6200.

3. Department of Environmental Protection

The following actions that previously required EFB approval also required approval of the Department of Environmental Protection. That approval is still required.

1. Incur debt to reconstruct or repair reservoirs G.L. Ch. 44 §8(4A)
2. Incur debt to reconstruct or repair solid waste disposal facilities other than landfills G.L. Ch. 44 §8(23)